GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:81
ANSWERED ON:27.07.2001
SUSPENSION OF SALE AND REPURCHASE OF US-64 OF UTI
CHANDRA NATH SINGH;NAWAL KISHORE RAI

Will the Minister of FINANCE be pleased to state:

(a) the number of small investors who have invested in UTI-US-64 alongwith the amount involved therein ;

(b) whether the UTI has suspended the sale and repurchase of its popular scheme US-64 for six months;

(c) if so, the details thereof alongwith the reasons therefor ;

(d) whether the Government have ordered an investigation into the alleged collusion of UTIofficials with a section of dishonest businessmen leading to UTI pumping huge funds into `dud` companies with dishonest motive ;

(e) if so, the details and the outcome thereof ;

(f) whether the Government propose to provide financial assistance to UTI to restore the sale andrepurchase of US-64 scheme keeping in view the interest of the small investors ;

(g) if so, the details thereof and if not, the reasons therefor ; and (h) the other steps taken/to be taken by the Government to restore the sale and repurchase of US-64 ?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a) to (h) : A statement is laid on the Table of the House.

Statement referred to in the reply to Lok Sabha Starred Question No. 81 for reply on Friday, the 27th July, 2001 regarding Suspension of Sale and Repurchase of US-64 of UTI by Shri Nawal Kishore Rai and Shri C.N. Singh

(a) : According to information provided by UTI,under the US-64 Scheme, there were 1.85 crore unitholding accounts with upto 3000 units, amounting to Rs. 5926.13 crore (at face value) as on 30.06.01.

(b) & (c) : Yes, Sir. UTI announced on 2nd July its decision to suspend both sales and repurchases of US-64 units for a period of six months upto December, 2001. The decision was taken with a view to arresting redemptions and restructuring the scheme.

(d) & (e) : Government has constituted a three member High Level Committee to conduct an independent enquiry into, inter-alia, the investment decisions taken by UTI. Separately, the Central Bureau oflnvestigation is investigating certain investment decisions taken by the former Chairman, UTI and senior UTI officials.

(f) & (g) : The Government has agreed to stand behind UTI to support implementation of the scheme announced by UTI on 15thJuly 2001 for small investors.

(h): In addition to the steps mentioned at (d) & (e) above, UTI has announced that all unitholders holding units as on 30th June, 2001 may offer for repurchase upto 3000 units per unitholder at any time during the period from 1st August, 2001 to 31st May, 2003 at the price of Rs. 10 per unit effective from 1st August, 2001, which will increase by 10 paise per month. US-64 will fully reopen for repurchases at NAV based prices in January 2002.

Annex referred to in the reply of Part (h) to Lok Sabha Starred Question No. 81 for reply on Friday, the 27th July, 2001 regarding Suspension of Sale and Repurchase of US-64 of UTI by Shri Nawal Kishore Rai and Shri C.N. Singh

1. All unitholders holding units as on 30th June 2001 may offer for repurchase upto 3000 units per unitholder at any time during the period from 1st August, 2001 to 31st May, 2003 at the price indicated hereunder or the NAV, whichever is higher.

Period Amount (Rs.)

2001-2002

August 2001 10.00
September `01 10.10
October `01 10.20
November`01 10.30
December `01 10.40
January 2002 10.50
February `02 10.60
March `02 10.70
April `02 10.80
May `02 10.90
June 2002 Book Closure

2002-2003

July 2002 11.00
August `02 11.10
September `02 11.20
October `02 11.30
November `02 11.40
December `02 11.50
January 2003 11.60
February `03 11.70
March `03 11.80
April `03 11.90
May `03 12.00
June 2003 Book Closure

2. US-64 will fully reopen for fresh sales and repurchases at NAV based prices with effect from 1st January 2002.Thereafter, for 3000 units per unitholder covered under measures in paragraph 1 above, the repurchase price would be the higher of the applicable repurchase price under paragraph 1 above or the then prevailing NAV based repurchase price. These 3000 units per unitholder will also be entitled to dividend, as may be declared.

3. The deficit, if any, between the NAV and the applicable repurchase price under paragraph 1 above will be met and so funded that this will prevent any NAV dilution on account of the measures at paragraph 1 above.

4. Adequate liquidity arrangements have been made to ensure that any funds needed for redemption will be available without UTI having to resort to large scale sale of its investments in the market.